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TAGS: [PGOV](#) [PREL](#) [ENRG](#) [MASS](#) [IN](#) [RS](#)
SUBJECT: PM SINGH'S VISIT HIGHLIGHTS THE LIMITS OF
RUSSIA-INDIA RELATIONS; GOR LOOKS TO INCREASE NUCLEAR TIES

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[1](#)B. NEW DELHI 4761
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Classified By: Ambassador William J. Burns for reasons 1.4 (b/d).

[1](#)1. (C) Summary: Deputy Foreign Minister Aleksandr Losyukov told the Ambassador that Indian Prime Minister Singh's November 11-12 trip to Moscow was a "useful visit" that saw progress on a potential agreement for Russia to sell four additional nuclear reactors to India. The visit included the signing of several agreements for economic cooperation and high-tech development projects, although the nuclear agreement was delayed at the request of the Indian government, according to MFA sources. The GOR wants to increase nuclear sales to India and hopes the U.S.-India 123 Agreement will remove international restrictions on the supply of nuclear material to India. Analysts questioned how much Russia would benefit from such an agreement, as the country will have to compete for Indian business with the U.S. and other nuclear suppliers. Analysts typically characterized Russia-India relations as limited to military sales and were skeptical Russia could compete for Indian trade with the U.S. The GOR appeared to be adjusting, however, to improved U.S.-India relations while looking for ways to improve economic ties that could keep its old friend from drifting away. End summary.

PM Singh Visits Moscow

[1](#)2. (U) Indian Prime Minister Singh's November 11-12 Moscow visit included a lengthy, private meeting with Putin and public agreement by the two leaders that India and Russia had, in Putin's words, "close or identical positions on all key issues," including developments in Afghanistan, Iraq and the Iranian nuclear program. No political declaration followed the meeting, but there were agreements to: "consider extending" Indian cooperation and investment in the Sakhalin 1 oil field as well as in Russian energy projects in other countries; open research centers to jointly develop new technology in the fields of nonferrous metals, biomedical, accelerators and lasers; jointly design a space vehicle to send a research laboratory to the Moon; and, perhaps most significantly, to jointly develop a new multi-purpose military transport plane, the Indian contribution for which would be financed by a unique agreement for India to contribute to the project the debt it owes to Russia. Conspicuously absent, however, was an agreement for Russia to build four additional nuclear reactors in India.

MFA on Singh's "Modest" Visit

[1](#)3. (C) Deputy Foreign Minister Losyukov told the Ambassador

that excessive Indian attention to protocol (and unhappiness over the GOR's designation of PM Zubkov as Singh's counterpart) complicated the visit, which he described as "useful, but not easy." MFA India Desk Chief Aleksandr Hozin dismissed the (primarily Indian) media's fixation on supposed diplomatic slights suffered by the Indian delegation to Moscow and told us Singh's was a "successful" if "modest" visit. While Putin and Singh may not have signed a major political declaration, annual meetings of the Indian and Russian leaders maintained the bilateral relationship and provided a venue to promote economic ties. Hozin stressed that there existed "no irritants" in the relationship and that Russia and India were working to resolve "issues" that ordinarily exist between "strategic partners." The GOR was, for example, addressing Indian concerns that Russia's strict visa regime thwarted regular business travel, thereby limiting economic development. The GOR was also ironing out problems in Russian defense contracts with India including production delays and payment disputes (ref B).
India Asked for Delay in Nuclear Deal

¶4. (C) DFM Losyukov maintained that progress was made on the nuclear talks, with Rosatom Director Kiriyeenko "confident" that a deal would be reached. Likewise, Desk Chief Hozin characterized as "totally incorrect" media speculation that the failure by the GOR and GOI to sign an agreement for Russia to provide India with four nuclear reactors was a sign of the "chill" in bilateral relations. Hozin said that the Indians requested that the deal be delayed to avoid further antagonizing domestic opponents of nuclear sales who had already delayed the Indian Parliament's approval of the U.S.-India 123 Agreement. Hozin said that the Indians explained they would seek "broader agreement" within the

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international community to end restrictions on civilian nuclear sales to India and hoped the GOR, as well as the U.S., would assist them. DFM Losyukov stressed to the Ambassador that Russia valued its nuclear relationship with India and wanted an overall agreement with the Nuclear Suppliers Group, developing "in parallel" with U.S. efforts.

GOR Looks to Nuclear Sales

¶5. (C) Russian officials told us the GOR hoped the U.S.-India 123 Agreement would go forward. The agreement would remove international restrictions on the transfer of nuclear technology to India and allow Russia to sell four new nuclear reactors to India. Hozin called this the "two track approach," in which the GOR continued to work on a nuclear deal with India while the Indians worked on getting the 123 agreement through the Indian Parliament. Hozin explained that the GOR believed its long-standing civil nuclear relationship with India put it in a position to make major new sales when restrictions were lifted. (Note: Russian construction of two reactors at Kudankulam, begun in 2002, was based upon an agreement signed by the USSR and India in ¶1988. When the Nuclear Suppliers Group (NSG) adopted its requirement for full-scope nuclear safeguards in 1992, thereby prohibiting nuclear sales to India, the GOR argued the new requirement did not apply to its 1988 agreement and received an exception from the NSG. End note.)

¶6. (C) Analysts took opposing views as to whether Russia would be a beneficiary of the U.S.-India 123 agreement. Vladimir Orlov, President of the Center for Policy Studies, said that Russia already had an extensive civilian nuclear relationship with India that included the current construction of two nuclear reactors at the Kudankulam nuclear power plant and an agreement to supply four more. This would put Russia in a strong position to compete with other nuclear suppliers such as the U.S. and France should restrictions on new nuclear trade be lifted. Both Vladimir Yevseev of the Russian Academy of Sciences and Sergey

Luzyanin, Director of the Oriental Research Foundation, disagreed and said that the lifting of restrictions would generate competition for Indian nuclear business by other countries, particularly the U.S. Yevseev asked why, if Russia was in such a strong position to make additional nuclear sales to India, the GOR had not tried to reach its own nuclear cooperation agreement with the Indian government?

Analysts: Russia-India Ties Limited

17. (C) Analysts have consistently told us that Russian relations with India were more limited than the GOR claimed and that expanding economic ties was a GOR priority. They characterized the relationship as still based on military ties developed during the Cold War. Analysts pointed not only to the "modest" Singh visit, but also to the October visits to Moscow by Indian Defense Minister A.K. Antony and Foreign Minister Pranab Mukherjee as evidence of the state of bilateral relations. Antony's visit included discussions of big ticket Russian weapons sales to India and the announcement of joint Russian-Indian development of a next generation fighter jet (ref B). Following a meeting with his Indian counterpart, Russian Defense Minister Anatoliy Serdyukov praised the Russia-India defense relationship and proclaimed joint military development projects the most important elements of bilateral cooperation. In contrast, the visit of FM Mukherjee produced few results. Following the annual session of the India-Russia Intergovernmental Commission, Mukherjee and Deputy Foreign Minister Aleksander Zhukhov spoke only of having identified "new areas" for economic cooperation and pledged to increase bilateral trade from \$4 billion to \$10 billion by 2010.

18. (C) Vyacheslav Belokrinskiy of the Russian Academy of Sciences told us Russia-India ties continued to be limited to the relationship developed during the Cold War. GOR weapons sales to India were the main area of trade - Russia would like other aspects of the economic relationship to increase, but these would never rise to the level of the U.S. or other countries. Russian trade with India was also limited by poor sea routes. If Russia wanted significantly to increase Indian commerce, an overland route through Iran would be necessary, which Belokrinskiy argued was a factor in the GOR's cautious approach toward the Iranian government. (Note: A potential transit corridor through Iran was discussed at the October Caspian Sea Summit in Tehran. See ref A. End note.) Ultimately, Belokrinskiy said that Russia-India relations would not deteriorate but only appear

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diminished as U.S.-India relations improved.

19. (C) Aleksandr Belkin, Deputy Executive Director of the Council On Foreign and Defense Policy, explained that Russia-India political and economic relations had not deteriorated - Russia was simply not able to provide all of the civilian and military technology India now desired. As a result, India turned to the U.S. as a potential partner to pursue its development goals. Belkin said that Russia-India relations were historically driven by Russian concern over China. The level of trade Russia enjoyed with India resulted from the two countries turning toward each other to limit Chinese influence in Asia. Present Chinese economic growth and international influence rendered this approach ineffective.

110. (C) Gennadiy Chufrin, Director of the Institute of World Economy and International Relations, said that improving economic ties with India was the GOR priority in South and Central Asia and drove Russian relations with other countries in the region. Vladimir Yevseev told us India remained important to the GOR but did not rank as highly as China. Russia and India did not share a common border and had limited economic ties. Even in the military sphere, relations were relatively weak and Russian arms sales to

India had declined (ref C). Yevseev predicted that Russia would continue to lose its share of arms sales as India turned to other countries, particularly the U.S., to diversify its military.

Comment

¶11. (C) While the modest outcome of the Singh visit demonstrated the current limits of the Russia-India relationship, the focus on joint technological development and nuclear sales showed that the GOR is serious about expanding its relationship with a traditional ally and trading partner. By relying on arms and nuclear sales to India, the GOR is following a pattern in Russian policy in which these strategic industries are used to assist both Russia's economic growth and the projection of influence abroad.

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